

# REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

LIMITED REVIEW OF THE  
DEPARTMENT OF OPERATIONAL SERVICES,  
CUSTOMER SERVICE DIVISION,  
SHREVEPORT WATER ASSISTANCE PROGRAM (SWAP)

SPECIAL REPORT (SR) 600008-05

February 27, 2008



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Councilman Joe Shyne  
Chairman, Shreveport City Council

Dear Councilman Shyne:

Subject: IAR600008-05 - Limited Review of the Department of Operational Services-Customer Service Division, Shreveport Water Assistance Program (SWAP)

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA  
City Internal Auditor

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**EXECUTIVE SUMMARY**  
**DEPARTMENT OF OPERATIONAL SERVICES – CUSTOMER SERVICE DIVISION**  
**LIMITED REVIEW OF THE SHREVEPORT WATER ASSISTANCE PROGRAM**  
**(SWAP)**  
**INTERNAL AUDIT REPORT (IAR) 600008-05**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

**INTRODUCTION**

The Shreveport Water Assistance Program (SWAP) was created by the City of Shreveport to help persons who need assistance in paying their water and sewerage bills. The total grant amount of \$550,000 is disbursed from the City (Department of Operational Services-Customer Service Division) to two administering agencies (Caddo Community Action Agency and Socialization Services, Inc.) who determine eligibility for assistance based on contractual guidelines.

**RECOMMENDATION EVALUATION RISK CRITERIA**

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented.

<b><i>Risk Levels</i></b>	<b><i>Recommendations</i></b>
<b>High Risk</b> Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	<ul style="list-style-type: none"><li>▪ Administer program guidelines uniformly. (Finding 1)</li><li>▪ Use same eligibility criteria and qualify those on public assistance. (Finding 2)</li><li>▪ Change allocation method of agency funding. (Finding 3)</li></ul>
<b>Medium Risk</b> Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	<ul style="list-style-type: none"><li>▪ Use "left over" funds to enhance communication. (Finding 4)</li><li>▪ Indicate assistance with printable application option on City's webpage. (Finding 5)</li></ul>
<b>Low Risk</b> Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	<ul style="list-style-type: none"><li>▪ Consider adjusting agency administrative fee. (Finding 6)</li><li>▪ Display signs at agencies to advertise program. (Finding 7)</li><li>▪ Consider adjusting assistance frequency. (Finding 8)</li><li>▪ Establish a customer complaint system. (Finding 9)</li></ul>

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**DEPARTMENT OF OPERATIONAL SERVICES – CUSTOMER SERVICE DIVISION  
LIMITED REVIEW OF THE SHREVEPORT WATER ASSISTANCE PROGRAM  
(SWAP)  
INTERNAL AUDIT REPORT (IAR) 600008-05**

**OBJECTIVES**

We have completed a limited review of the Shreveport Water Assistance Program (SWAP).

Our objectives were to determine whether:

- Selected contract provisions had been complied with relative to the disbursement of SWAP funds.
- Program objectives and goals had been met.

**SCOPE AND METHODOLOGY**

Our limited review was performed in accordance with applicable generally accepted governmental auditing standards as defined in Section A.30 of the Internal Audit Office Operating Instructions Manual. Our limited review included only a determination of contract compliance for the two administering agencies and the City's Customer Service Division as it relates to the disbursement of SWAP funds. The review did not entail an evaluation of management or administration of the two agencies.

The scope of the study of internal control was limited to assessing the general controls surrounding the specific issues addressed. The review procedures included the following:

- Observing operations and ongoing activities;
- Reviewing program participants' records used in determining eligibility at each agency location;
- Reviewing applicable records and documents; and
- Interviewing appropriate personnel and management.

**BACKGROUND**

The SWAP was introduced by the City of Shreveport in 1991 to help persons who need assistance in paying their water and sewerage bills. The program is the result of a City resolution which allows for the use of public funds to provide assistance to needy

persons. Funded by the City of Shreveport through the City Council, the amount of funds budgeted for fiscal year 2007 was \$550,000, including administrative fees.

The SWAP is administered by the Department of Operational Services (DOS) - Customer Service Division and two non-profit organizations. The agencies are as follows:

<u>Agency</u>	<u>Location</u>
Caddo Community Action Agency (CCAA) Socialization Services, Inc.	4055 St. Vincent Avenue 3017 West 70 <sup>th</sup> Street

These agencies and the Customer Service Division have responsibility for determining applicants who qualify for the program based upon the requirements stipulated in the contract.

The SWAP targets persons who have already had their water cut off or who have received a cut-off notice. Shreveport residents can qualify for assistance under SWAP if certain contractual requirements are met. The SWAP pays the outstanding balance on water charges and reconnection charges to the City for applicants who qualify. Assistance from SWAP is limited to twice a year. Also, since the City maintains the appropriation (funds) for the program, no money is given to the agencies or applicants to pay water and sewerage bills. The 14% management fee charge is the only exchange between the City and the contracted agencies.

### **CONCLUSIONS/FINDINGS/RECOMMENDATIONS**

We found, with the exception of the specific findings listed, that the two agencies and the Customer Service Division were efficient and effective in administering the SWAP.

Controls established by the contract were generally adequate to ensure compliance; however, the procedures employed to enforce the terms should be improved. Several of the following findings and recommendations address these issues. As a result of our review, some additional findings and recommendations are made to enhance the agreement. Our recommendations for improvement in administration and monitoring responsibilities include:

- Having the City's program manager of SWAP determine if the program guidelines are being properly and uniformly administered by the appropriate agencies.
- Defining the exact criteria (bills) to be used in determining eligibility and communicate this information to those administering the program.
- Revising the eligibility criteria to state that "all applicants receiving public assistance automatically qualify for SWAP." (Therefore, those applicants meeting these criteria would not need to produce or present copies of bills.)

- Considering a different method of allocating the funding between the agencies.
- Considering using “left over” funds from prior years to automate the communication process between the City and the contracted SWAP agencies.
- Considering adding the SWAP to the Departmental of Operational Services- Customer Service Division webpage with the ability, at the very least, to print the application.
- Considering adjusting the administrative fee percentage to allow the agencies to cover all manpower costs associated with administering the SWAP. For instance, the fee may be based on the number of applicants processed.
- Displaying signs at each location that administers the SWAP. Also, consideration should be given to advertising the program (*i.e. as a tickler on the water bill statements*).
- Considering the contracted agencies’ proposal to increase the frequency of assistance.
- Requiring the contracted agencies to establish a consistent, documented method of recording, resolving, and/or forwarding customer concerns, suggestions, and /or complaints.

## **SECTION I: Findings to be addressed by the City of Shreveport**

### **1. Excessive Unused Balances**

**Criteria:** The goal of the Shreveport Water Assistance Program (SWAP) is to minimize the impact of its water and sewerage charges for low income residents within the boundaries or jurisdiction of the City. This is achieved by helping pay the bills for water and sewerage usage with a limitation of two times in a consecutive 12-month period.

**Condition:** From our review of the City’s Accounting records, we noted that the program had an unused balance of approximately \$75,105 as of 12/7/07. The portion of the unused balance attributable to each agency was as follows:

Agency	Amount Allocated to provide assistance (2007) <i>(Note: Additional monies are allocated for administrative fees.)</i>	Amount Expended	Amount Unused	Difference (%)
Caddo Community Action Agency (CCAA)	\$120,614	\$45,509	\$75,105	62%

<b>Socialization Services, Inc. (SSI)</b>	\$361,842	\$361,842	\$0	0%
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**Effect:** Program not accomplishing its mission and goals.

**Cause:**

- Program not adequately advertised.
- Program eligibility requirements either being improperly or not uniformly administered.
- Agency program administrators may not be properly trained in regards to program requirements.
- Possible subjectivity/inconsistency in applying criteria.

**Recommendation:** We recommend that the City's program manager of SWAP determine if the program guidelines are being properly and uniformly administered by the appropriate agencies.

**Management Plan of Action/Timetable:** We agree. Management will develop a procedure for periodic reviews of the agencies' records to ensure that program guidelines are being properly and uniformly administered by each agency. Estimated completion date – June, 2008.

## 2. Inconsistent Eligibility Determination Criteria

**Criteria:** Section I (A) (4) of the SWAP agreement entitled "Scope of Services," states, in part, "...eligibility for assistance will normally be established if necessary bills and obligations (rent, other utilities, necessary furniture, medical bills, food, etc.) exceed income and savings."

**Condition:** During our review of applicant files maintained by the agencies for SWAP, we noted inconsistencies in the criteria used to determine what types of bills the entities considered "necessary." Specifically, items such as cable bills, credit card bills, food bills, loan notes, etc. were used by the administrators at one location, and excluded at the other.

**Effect:**

- Program mission and goal not being achieved or met.
- The accumulation of excessive unused balances due to the use of stringent and/or inconsistent guidelines.



**Cause:** SWAP does not specifically identify or define the exact bills to be used. Therefore, the administrators at each location utilized various interpretations.

**Recommendations:** We recommend that management:

1. Define the exact criteria (bills) to be used in determining eligibility and communicate this information to those administering the program.
2. Revise the eligibility criteria to state that “all applicants receiving public assistance automatically qualify for SWAP.” (Therefore, those applicants meeting these criteria would not need to produce or present copies of bills.)

**Management Plan of Action/Timetable:**

1. We agree. Management will review **all** eligibility criteria, revise, if necessary, to simplify and clarify. If changes are made to the eligibility criteria, amendments to the original contracts will be issued. We will meet with each agency to ensure an understanding of any changes. Anticipated completion date – March, 2008.
2. We partially agree. Management will look into this as part of our review of the eligibility criteria mentioned above, but will not necessarily use the recommended statement. We will make our own revisions.

### **3. Re-Allocation of Water Assistance Funds**

**Criteria:** The City Council funded the Water Assistance Program with \$550,000 for fiscal year 2007. This amount was split between two agencies to assist those with water and sewer assistance payments.

**Condition:** We noted that one of the agencies had to suspend aid to those needing assistance due to the fact that all the funds allocated to it had been used up. (Note: Customers were being referred to the other agency for assistance.)

**Effect:** Program not accomplishing its mission and goals.

**Cause:** The program grant was unnecessarily split between the two administering agencies.

**Recommendation:** We recommend that management consider a different method of allocating the funding between the agencies. For example, management could consider pooling the SWAP funding rather than allocating funds to the two agencies or adjusting the funding based on the average use of each agency over the past several years. This would allow both agencies the ability to access the funds until it is extinguished.

Additionally, there would not be stoppages in assistance for the agencies due to the funds being used up.

**Management Plan of Action/Timetable:** We agree. Management will review the method of allocation of funding between the agencies and monitor the activities of each agency. Estimated completion date – July, 2008.

#### **4. Electronic Data Processing (EDP) Applications/Enhancements**

**Criteria:** In order for operations to run more efficiently, some manual tasks should be automated. Especially, for SWAP, the retrieval and tracking of information is vital to the success of the program. Additionally, computer applications help to improve productivity and enhance communications within an organization and its affiliates.

**Condition:** We observed that communication between the City and the contracted agencies was conducted via phone or by fax, which affected the timeliness of the process. Specifically, it was noted that:

1. Payment vouchers prepared by the agencies for payment of management fees were faxed and or mailed;
2. In order to verify that an applicant had not exceeded the two-time limit, the agencies called the City to verify this information;
3. The communication between those entities involved with SWAP was primarily done via phone.

**Effect:**

- Information retrieval is time-consuming, which may affect an applicant's water and sewerage service.
- Possible delay in the approval process due to employee absences, vacations, etc.

**Cause:** Funds were not budgeted to address the automated processing of SWAP data.

**Recommendation:** We recommend that management consider using "left over" funds from prior years to automate the communication process between the City and the contracted SWAP agencies.

**Management Plan of Action/Timetable:** We partially agree. Management does not concur that "left over" funds from prior years be used to automate this process. We do agree, however, that automated processes are certainly preferable to manual processes. We will approach the City's IT staff regarding the development of a web-based application that both agencies could access through the internet. All information exchanged between the City and the agencies would be standardized, and even the

manual posting of the assistance payments could be automated. The estimated completion date will be estimated if it is determined that the development of the web-based application is feasible.

## **5. Internet Website Addresses**

**Criteria:** As Internet use continues to skyrocket and become part of normal business usage, organizations that are interested in maximizing service and exposure have established web sites detailing information about their services or programs.

**Condition:** The SWAP (along with appropriate application forms, etc.), was not indicated on the City website for the Department of Operational Services-Customer Service Division.

**Effect:**

- Loss of aid to potential needy families.
- Inefficient use of program resources.
- Lack of information concerning SWAP.

**Cause:** There was no requirement that SWAP information be indicated on the Department of Operational Services-Customer Service Division website.

**Recommendation:** We recommend that management consider adding the SWAP to the Departmental of Operational Services-Customer Service Division webpage with the ability, at the very least, to print the application.

**Management Plan of Action/Timetable:** We agree. Management will have information regarding the SWAP program added to the City's website, as well as a link to download and print an application. Estimated completion date – April, 2008.

## **6. Agency Administration Fee for Administrative and Handling Charges**

**Criteria:** Section II. A. of the Shreveport Water Assistance Program (SWAP) agreement specifies that the administering agency will receive 14% of the "total assistance submitted during the reporting month for administrative and handling charges for the Agency." Each agency had at least one full-time employee dedicated solely to the administration of the SWAP.

**Condition:** We noted that the administrative fee of 14 % (of the total of bills submitted) paid to the two agencies for administrative and handling charges had not changed in at least ten years. The agencies, which had at least one full-time employee dedicated

solely to the administration of the SWAP, felt that the current percentage was not adequate to cover the administrative and handling charges of the program.

**Effect:**

- Agencies subsidizing the SWAP by covering the difference in manpower costs.
- Negative economic relationship with the agencies.

**Cause:** All the costs of administering the SWAP had not been considered.

**Recommendation:** Consideration should be given to adjusting the administrative fee percentage to allow the agencies to cover all manpower costs associated with administering the SWAP. For instance, the fee may be based on the number of applicants processed.

**Management Plan of Action/Timetable:** We disagree. Management feels that the fee is more than sufficient in comparison to federal and state grant agency administrative fees.

## **SECTION II: Findings to be Addressed by Individual Agency & City**

### **7. Advertisement/Signage (CCAA)**

**Criteria:** Advertisement and posted signage help to ensure that the public is made aware of assistance programs. In particular, concerning SWAP, advertising and signage should be prominently displayed in the appropriate venues to maximize communication.

**Condition:** We noted that there were no posted signs indicating the SWAP. Also, we noted that there was little or no advertising of the SWAP nor had funds been budgeted to advertise the program.

**Effect:** Patrons may not be aware of the program.

**Cause:** There was no requirement for the city to advertise the SWAP.

**Recommendation:** We recommend that:

1. Management prominently display signs at each location that administers the SWAP.

2. Consideration should be given to advertising the program (*i.e. as a tickler on the water bill statements*).

**Management Plan of Action/Timetable:** We agree. Management intends to meet with each agency in early February, 2008. We will address the use of signage, as well as other advertising, at this time, and will make it part of the contract, if needed. Estimated completion date – March, 2008.

## **8. Frequency of SWAP Assistance (SSI)**

**Criteria:** Section I B.2 of the SWAP Agreement limits assistance to “no more than two times in any consecutive 12-month period on active accounts.”

**Condition:** Some agency personnel felt that applicants should be helped more than twice per every 12 months – even suggesting that assistance should be provided up to 4 times per year or until funds are expended.

**Effect:** Needy families not being helped.

**Cause:** The SWAP agreement limited assistance to twice per every consecutive 12-month period.

**Recommendation:** City management should consider the contracted agencies’ proposal to increase the frequency of assistance.

**Management Plan of Action/Timetable:** We agree. Management will take this into consideration as we are reviewing the eligibility criteria. If we determine that the frequency of assistance should increase, amendments to the original contracts will be issued. Anticipated completion date – March, 2008.

## **SECTION II: Finding to be Addressed by Both Agencies (CCAA & SSI)**

## **9. Applicant Survey/Documentation of Customer Service**

**Criteria:** Customer feedback provides management with a barometer with which to measure the accomplishment of its goals and objectives. One way to obtain this external feedback is to provide a formal mechanism by which to capture, evaluate, and follow up on areas in need of improvement.

**Condition:** The administrators of SWAP had no formal mechanism of recording, resolving, or forwarding customer concerns, suggestions, or complaints from those using either facility.

**Effect:**

- Inability to timely identify and/or rectify problem areas.
- Customer needs not met, possibly resulting in negative publicity.

**Recommendation:** We recommend that City management require the contracted agencies to establish a consistent, documented method of recording, resolving, and/or forwarding customer concerns, suggestions, and /or complaints.

**Management Plan of Action/Timetable:** We partially agree. Management will discuss this with each agency when we meet in February, 2008. If this is deemed necessary, it could possibly be communicated through the web-based application mentioned in finding #4.

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